

B S R & Co. LLP

Chartered Accountants

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The Board of Directors
CARE Ratings Limited
4th Floor Godrej Coliseum,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion (East), Mumbai- 400022

Dear Sirs

Independent Auditor's Report in respect of the proposed buy back of equity shares by CARE Ratings Limited in terms of clause (xi) of Schedule I of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended

1. This Report is issued in accordance with the terms of our engagement letter dated 12 October 2021 and addendum to engagement letter dated 20 July 2022 with CARE Ratings Limited (hereinafter referred to as the "**Company**").
2. The Board of Directors of the Company have approved a proposed buy-back of equity shares by the Company at its meeting held on 20 July 2022, in pursuance of the provisions of Section 68 of the Companies Act, 2013 ('the **Act**') read with the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ("**SEBI Buy-back Regulations**").
3. The accompanying "Statement of Permissible Capital Payment as at March 31, 2022" ('Annexure A') (hereinafter referred to as the "**Statement**") is prepared by the management of the Company, which we have initialled for identification purposes only.

Management's Responsibility for the Statement

4. The preparation of the Statement in compliance with Section 68 of the Act and the Regulation 4(i) of the SEBI Buy-back Regulations and compliance with the SEBI Buy-back Regulations, is the responsibility of the management of the Company, including the computation of the amount of the permissible capital payment, the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation, and maintenance of internal controls relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

5. Pursuant to the requirements of the SEBI Buy-back Regulations, it is our responsibility to provide reasonable assurance whether:
 - i. we have inquired into the state of affairs of the Company in relation to the audited standalone and consolidated financial statements as at March 31, 2022;

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- ii. the amount of permissible capital payment as stated in Annexure A for the proposed buy-back of equity shares has been properly determined considering the audited standalone and consolidated financial statements as at March 31, 2022 in accordance with Section 68(2)(c) of the Act and Regulation 4(i) of the SEBI Buy-back Regulations; and
 - iii. the Board of Directors of the Company in their meeting dated 20 July 2022, have formed the opinion as specified in clause (x) of Schedule I to the SEBI Buy-back Regulations on reasonable grounds that the Company having regard to its state of affairs will not be rendered insolvent within a period of one year from that date.
 - iv. we are aware of anything to indicate that the opinion expressed by the Directors in the declaration as to any of the matters mentioned in the declaration is unreasonable in circumstances as at the date of declaration.
6. The audited standalone and consolidated financial statements for the year ended March 31, 2022, have been audited by us, on which we issued unmodified audit opinions vide our reports dated 28 May 2022. Our audits of these financial statements were conducted in accordance with the Standards on Auditing as specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
7. Our engagement involves performing procedures to obtain sufficient appropriate evidence, as applicable. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the above reporting. We accordingly performed the following procedures:
 - i. Inquired into the state of affairs of the Company with reference to the audited standalone and consolidated financial statements as at March 31, 2022;
 - ii. Examined authorization for buyback from the Articles of Association of the Company;
 - iii. Examined that the amount of permissible capital payment for the buy back as detailed in Annexure A is in accordance with Regulation 4(i) of the SEBI Buy-back Regulations;
 - iv. Traced the amounts of paid-up equity share capital, retained earnings and general reserves as mentioned in Annexure A from the audited standalone and consolidated financial statements as at March 31, 2022;
 - v. Verified the arithmetical accuracy of the amounts mentioned in Annexure A; and
 - vi. Examined that the ratio of secured and unsecured debts owed by the Company, if any, is not more than twice the capital and its free reserve after such buy-back on a standalone as well as consolidated basis for the year ended March 31, 2022;
 - vii. Read the resolutions passed in the meeting of the Board of Directors dated 20 July 2022;
 - viii. Read the Director's declarations for the purpose of buy back and solvency of the Company as detailed in Annexure B;
 - ix. We have not performed any procedures as regards the projections as approved by the Board of Directors and accordingly do not certify the same
 - x. Obtained appropriate representations from the management of the Company.

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8. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
10. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Opinion

11. Based on inquiries conducted and our examination as above, we report that:
 - (i) We have inquired into the state of affairs of the Company in relation to its audited standalone and consolidated financial statements as at March 31, 2022;
 - (ii) The amount of permissible capital payment towards the proposed buy back of equity shares as computed in the Statement attached herewith is, in our view properly determined in accordance with Regulation 4(i) of the SEBI Buy-back Regulations. The amounts of share capital and free reserves have been extracted from the audited standalone and consolidated financial statements of the Company as at March 31, 2022;
 - (iii) The Board of Directors of the Company, in their meeting held on 20 July 2022 have formed their opinion as specified in clause (x) of Schedule I to the SEBI Buy-back Regulations, on reasonable grounds that the Company, having regard to its state of affairs, will not be rendered insolvent within a period of one year from that date.

Based on representations made by the management, and other information and explanations given to us, which to the best of our knowledge and belief were necessary for this purpose, we are not aware of anything to indicate that the opinion expressed by the Directors in the declaration as to any of the matters mentioned in the declaration is unreasonable in circumstances as at the date of declaration.

Restriction on Use

12. This report has been issued at the request of the Company and is addressed to the Board of Directors of the Company pursuant to the requirements of the SEBI Buy-back Regulations, solely for use of the Company (i) in connection with the proposed buy-back of equity shares of the Company in pursuance to the provisions of Sections 68 and other applicable provisions of the Act and SEBI Buy-back Regulations, (ii) to enable the Board of Directors of the Company to include in the explanatory statement to the notice for special resolution, public announcement, draft letter of offer, letter of offer and other documents pertaining to buy-back to be sent to the shareholders of the Company or filed with (a) the Registrar of Companies, Securities and Exchange Board of India, stock exchanges, public shareholders and any other regulatory authority as per applicable law and (b) the Central Depository

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Services (India) Limited, National Securities Depository Limited and (iii) for providing to the manager to the buyback, and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Ajit Viswanath

Ajit Viswanath

Partner

Membership No: 067114

UDIN: 22067114ANICQU8097

Mumbai

Date: 20 July 2022

Registered Office:

Annexure A - Statement of Permissible Capital Payment

Computation of amount of permissible capital payment towards buyback of equity shares in accordance with Section 68(2)(c) of the Companies Act, 2013 ("the Act") and Regulation 4(i) Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended, based on annual audited standalone and consolidated financial statements as at and for the year ended March 31, 2022.

(Rupees in crore)

Particulars		Standalone	Consolidated
Paid up equity share capital as on March 31, 2022 (2,96,46,547 equity shares of Rupees 10/- each)	(A)	29.65	29.65
Free Reserves: *			
Securities Premium		73.70	73.70
General reserve		221.51	221.48
Retained Earnings		307.02	304.11
Total Free Reserves	(B)	602.23	599.29
Total	C=(A+B)	631.88	628.93
Maximum amount permissible towards buy-back in accordance with Section 68(2)(c) of the Companies Act, 2013 (i.e. 25% of the total Paid up equity share capital and free reserves)	C*25%	157.97	157.23
Maximum amount permissible for buy-back under Regulation 4(i) of the SEBI Buy-back Regulations, i.e. 25% of the total paid up capital and free reserves	C*25%	157.97	157.23
Maximum amount permitted by the Board resolution dated July 20, 2022 approving the buy back, subject to shareholders' approval		121.952	

*As defined under Companies Act, 2013

For CARE Ratings Limited,



Authorised Signatory
Mumbai
20 July 2022



CARE Ratings Limited

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DECLARATION BY THE BOARD OF DIRECTORS OF CARE RATINGS LIMITED

The Board of Directors of the Company ("**Board**") has made full enquiry into the affairs and prospects of the Company and has formed the opinion that:

- (i) Immediately following the date of the Board meeting i.e. July 20, 2022 and the date on which the result of the members resolution passed by way of Postal Ballot ("**Special Resolution**") will be declared approving the Buyback, there will be no grounds on which the Company could be found unable to pay its debts;
- (ii) As regards the Company's prospects for the year immediately following the date of this Board meeting as well as for the year immediately following the Special Resolution, and having regard to the Board's intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will in the Board's view be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of the Board meeting as also from the date of Special Resolution;
- (iii) In forming its opinion for the above purposes, the Board has taken into account the liabilities (including prospective and contingent liabilities) as if the Company was being wound up under the provisions of the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016, as amended from time to time, as applicable.

The declaration has been made and issued under the authority of the Board in terms of the resolution passed at its meeting dated July 20, 2022.

For and on behalf of the Board of Directors of the Company



Adesh Kumar Gupta
Non-Executive Independent Director
DIN: 00020403



V. Chandrasekaran
Non-Executive Non-Independent Director
DIN: 03126243

Place: Mumbai
Date: July 20, 2022

